

Ways Forward –

Where Will \$300 Billion in Necessary Capital Investment Come From?

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Where will the Money Come From?

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NARP's original motto was:
"Modern trains for a
more mobile America"



U.S. has fallen farther behind the world's passenger rail renaissance throughout my lifetime



What if someone had stood up at the Amtrak's inauguration and insisted that Uzbekistan would beat the U.S. in launching HSR?



What if Americans finally wake up to this lag and try to seriously modernize U.S. trains?



Taking \$300 billion as the capital cost for a modern national passenger railroad, where would the money come from?

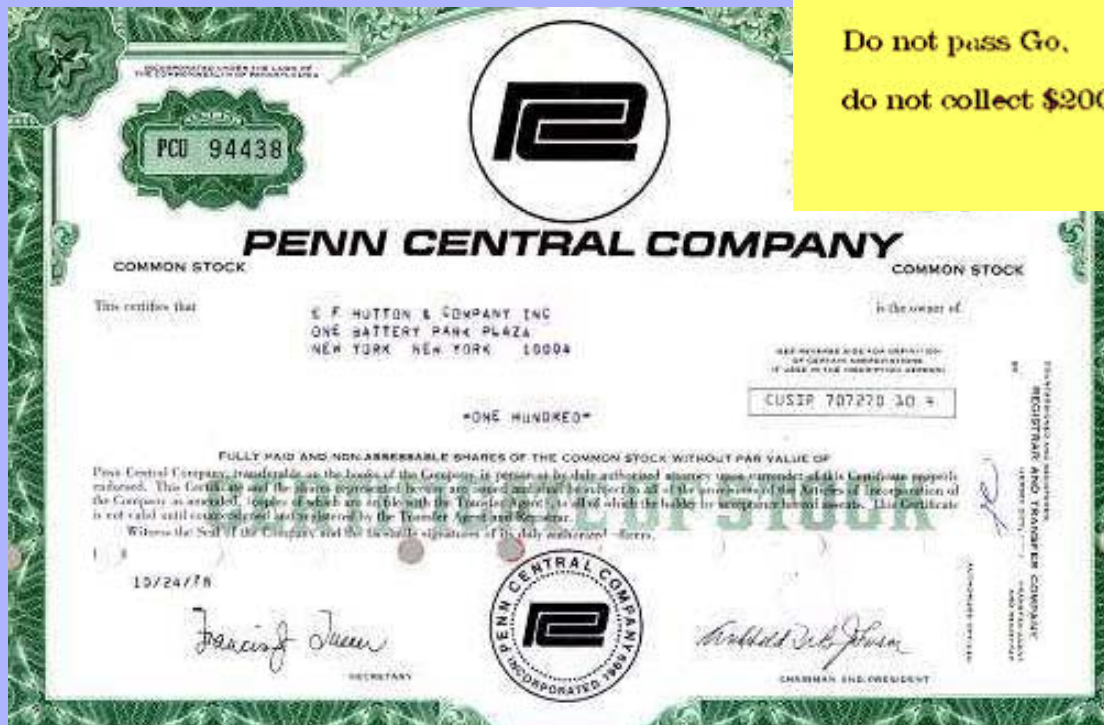


- Where not to look for the money.
- Where to look for the money.
- How to look for the money.

When I worked for NARP, railroads were the poor relation in the American transportation system

Bankruptcy

Do not pass Go,
do not collect \$200



Highways and aviation were where the big money was to be found



Today there's no money in America's transportation trust funds, or any established transportation funding scheme



THE END OF THE ROAD? THE LOOMING FISCAL DISASTER FOR TRANSPORTATION

BE PREPARED TO STOP

 Transportation for America

The image is a graphic with a dark blue background. At the top, it reads 'THE END OF THE ROAD?' in large white letters, followed by 'THE LOOMING FISCAL DISASTER FOR TRANSPORTATION' in smaller white letters. In the center is a yellow diamond-shaped sign with a black border and the text 'BE PREPARED TO STOP' in black. At the bottom right is the logo for 'Transportation for America', which includes a stylized American flag icon and the text 'Transportation for America'.

Should the financial strategy for America's passenger rail renewal follow Sutton's Law?

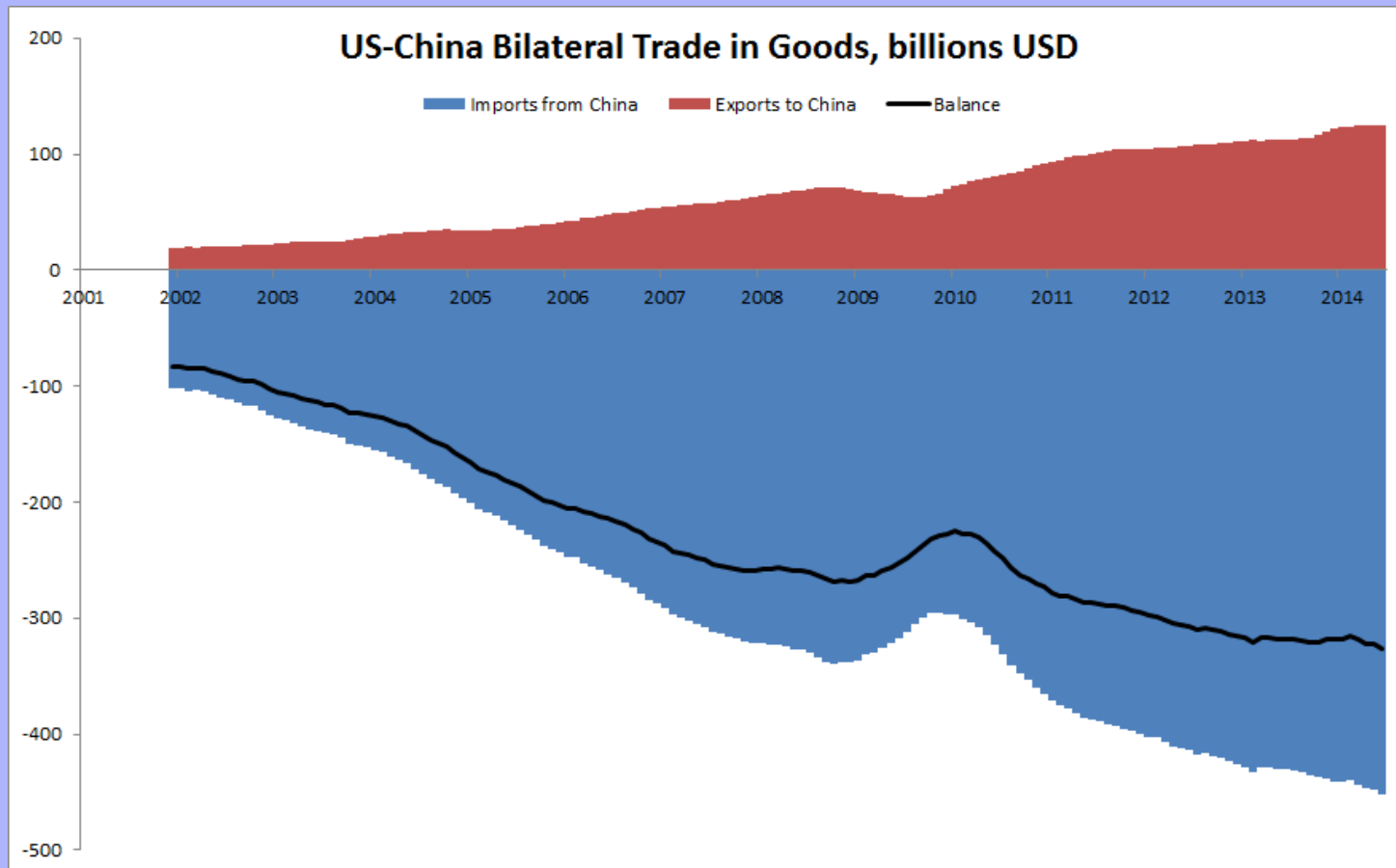
Sutton's Law or Willie Sutton Rule

- Accomplished bank robber US 1930's
- Urban legend, quoted in Medical Doctor and Accountant (ABC) training
- "Go where the money is And go there often."



Source: Image and text http://en.wikipedia.org/wiki/Willie_Sutton

Idea #1: Help close the trade deficit through targeting foreign investment in U.S. rail infrastructure



Chinese played a key role in building the original railroad infrastructure in the American West



China is now at work building an inter-continental rail network to connect Asia to Europe



Foreign governments have owned U.S.
rail infrastructure in the past



And they own plenty of U.S. real estate assets today

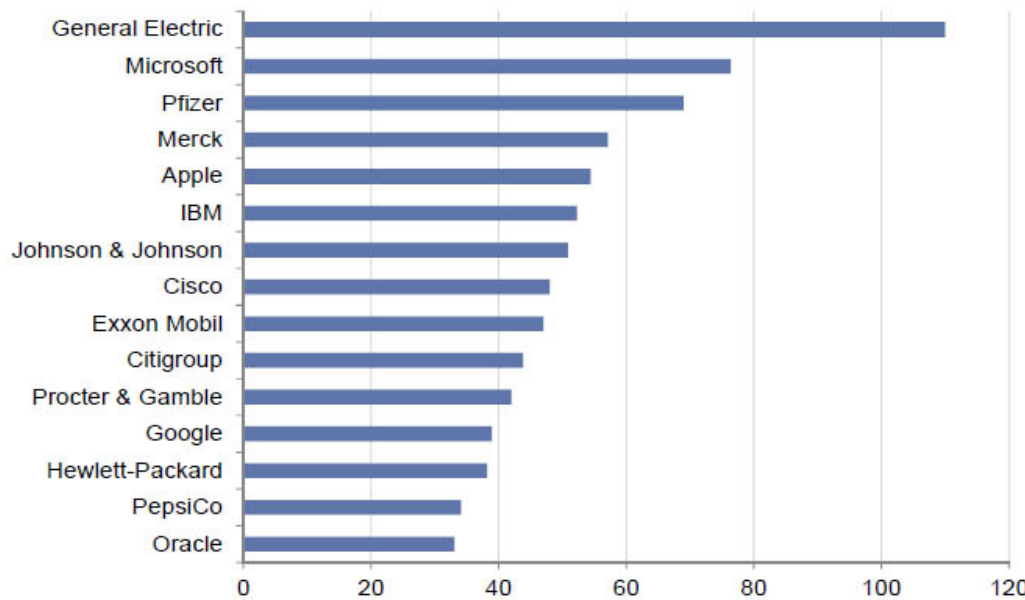


311 
South
Wacker Drive



Idea #2: Help U.S. corporations repatriate offshore profits in the form of tax-free rail infrastructure bonds

Top-15 US companies by accumulated offshore profits, US\$ bn

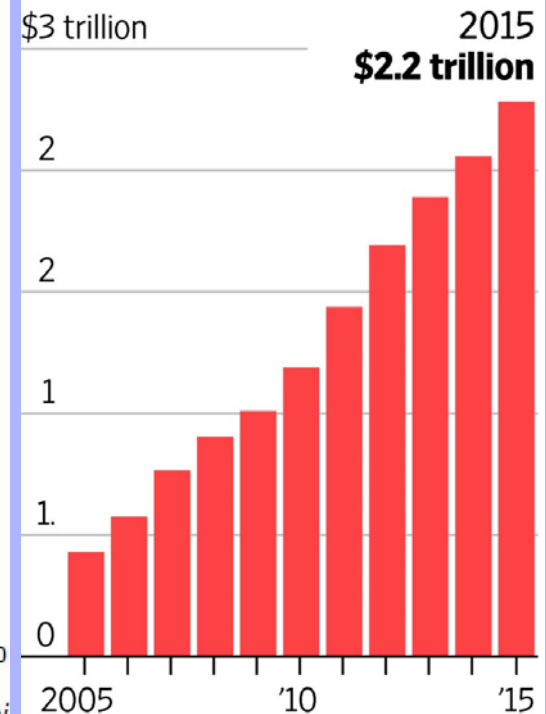


Note: For those reporting overseas profits, excludes companies domiciled outside the US and REITs that are not subject to corporate taxes.

Source: Bloomberg.

Trapped Cash

Foreign earnings for companies in the S&P 500



Source: Credit Suisse

THE WALL STREET JOURNAL.

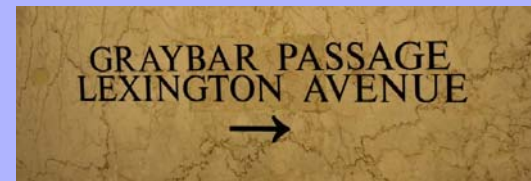
Will HSR operations offer less risk than other major capital investment?

Tax Free
Infrastructure Bonds

tax
free

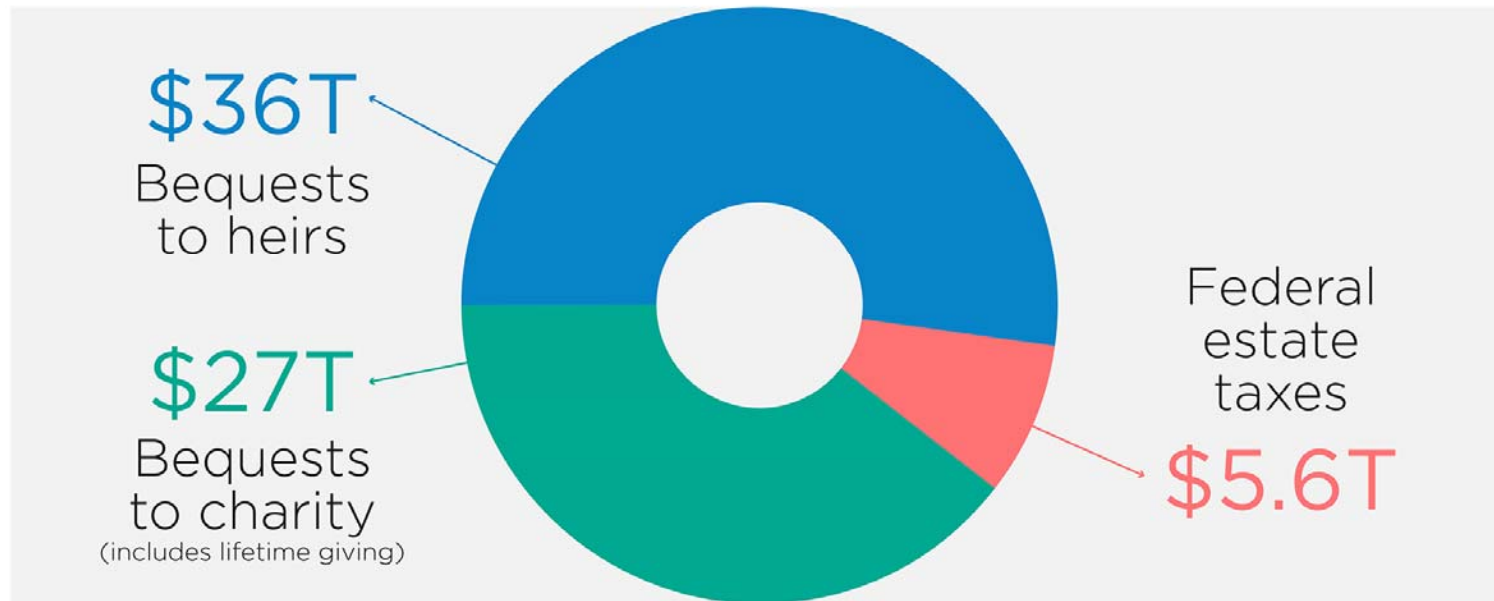


What about capturing some value from rail integrated development?



Idea #3: Tap into the biggest inter-generational wealth transfer in history

\$59 TRILLION Will be transferred from Boomers to Millennial heirs, charities and taxes between 2007 & 2061

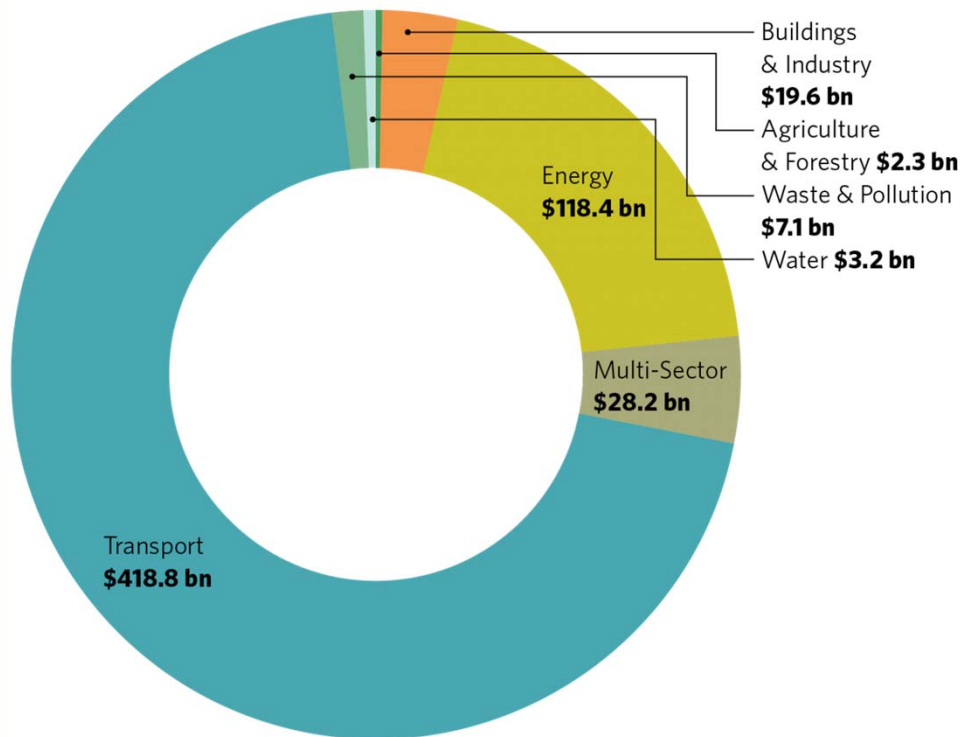


What will the baby boomer's legacy amount to?



What if boomers (and others) got a tax break from investing in rail infrastructure bonds?

Transport continues to be the dominant theme in the \$597.7bn climate aligned universe



When it comes to making the case for *both* public and private investment in rail, evidence of success will be key



Seeing  is Believing

What could success look like?



When might we reach a tipping point?



Until we have a winner, the temptation to spread rail passenger redevelopment efforts too thin must be resisted





North
America's
rail
reinvestment
will arrive
some time
during the
21st century,
and it will
generate
growing value